

Reagan Presses for Approval Of Cuts in Federal Spending

By STEVEN R. WEISMAN
Special to The New York Times

WASHINGTON, Feb. 18—President Reagan warned today that economic recovery would be "set back" if Congress failed to approve his proposed reductions in Government spending, and he called on fellow Republicans to "soften" their opposition to his program.

At his eighth televised news conference, Mr. Reagan declared that he was willing to consider suggestions that were "reasonable and that will meet the fundamental objectives, which is to continue reducing the cost of Government." But he said he could not accept proposals from Republicans or anyone else in Congress that would increase taxes or reduce his plans for military spending increases.

"Suggest something and we'll take a look at it," Mr. Reagan said, adding, "We cannot back away on national defense without sending a message to the world, to our allies, as well as our potential adversaries that would be very unwise."

Mr. Reagan opened the news conference in the East Room with an announcement that he would establish a Private Sector Survey on Cost Control. Under this initiative, he said, "outstanding experts from the private sector" are to "roll up their sleeves and search out to be found in the Federal establishment."

Firm on Economic Program

The President, wearing a brown suit and tie, smiled gently as he spoke of the new firm on his economic program, and he avoided the blunt language that he used on a trip to the Middle East last week when he challenged opponents to "put up or shut up."

Nevertheless, White House officials sought this afternoon to dispel any impression that the Administration was willing to compromise on the budget. "We're not at the stage of any negotiating on any details," said one aide to the President.

These officials said that David A. Stockman, director of the Office of Man-

agement and Budget, had left an erroneous impression of "limiting the flexibility on taxes and military spending" in testimony before the House Budget Committee.

Mr. Stockman said then that the Administration would "look very seriously at a good faith, sincere effort" by Democrats and others on the budget. He specifically did not reject the suggestion of a \$10 billion cut in military spending for the fiscal year 1983, which the President had proposed to increase 10 percent over the 1982 level.

'Aren't Sending New Signals'

Larry Speakes, the deputy White House press secretary, said that Mr. Stockman, by not raising the suggestion, did not mean to say the Administration would accept it. "We aren't sending any new signals on the budget," he said.

On Capitol Hill, however, there were signs that some discussions were taking place between the White House and Republican leaders. Mr. Stockman met with 15 key Republicans in the House of Representatives on Wednesday.

But Representative Robert H. Michel, the Illinois Republican who is House minority leader, said there was no question that we're exploring options on the budget. He added that "as long as what the President has proposed, we describe as far as the President is concerned, we shared the view that Congress had 'running room' to change some of the spending details."

Referring to Republicans, Mr. Reagan said at his news conference, "I am hoping that some of them might soften their attitudes after they've been home for the Lincoln Day dinners and things, and have heard from the folks back home."

He said that Congressional critics had so far offered nothing more than "dis-

tribe and opposition and criticism" rather than constructive suggestions. He said that he was "depending on Congress to give us what we're asking for in continued reduction in Government spending, or they can themselves set back the recovery."

Mr. Reagan used the occasion of his news conference to reiterate his point that his proposed budget cuts would not pose a hardship to those affected. Republicans and Democrats alike have expressed concern that Mr. Reagan's proposed cuts would fall hard on certain groups.

President Reagan yesterday at his news conference.

The \$737.6 billion budget Mr. Reagan submitted earlier this month contemplated \$56 billion in savings over what the Administration calculated the budget would be if no changes were made in Government programs. The budget also would run a record deficit of \$91.5 billion.

Mr. Reagan said that his budget actually encompassed a 4.5 percent increase in spending "for all of human and social affairs" to the level of \$683 billion.

After the news conference, however, Edwin L. Dale Jr., the spokesman for the Office of Management and Budget, said that Mr. Reagan had "slightly mis-spoken" when making this assertion. The \$32 billion sum refers only to programs of payments for individuals, such as Social Security, welfare, Medicaid, retirement benefits and food stamps, and not to "all human and social" spending.

The budget proposes no cuts in Social Security, but it does call for new restrictions on benefits in the other programs. If Social Security is not counted, then all the other payments to individuals would grow by only 2.5 percent, Mr. Dale said, a figure substantially less than the inflation rate.

President Denies Lapses Laid to Him in the Press

By HOWELL RAINES
Special to The New York Times

WASHINGTON, Feb. 18—At his news conference today, President Reagan said that the news media wrung him after his last session and that he had proof of the accuracy of statements and anecdotes that he used Jan. 19 to support his policies.

But later the White House press office declined to release the sheet of papers that the President brandished today, saying, "I was right on five of them, and I have the documentation with me."

He pulled the papers from an inside breast pocket of his suit as he responded to a question challenging his recent assertion that wealthy children in New York got free school lunches. "But you don't really want to get into all those mistakes you claim that I made the last time, do you?" Mr. Reagan said. "Because I'd like you to know that documentation over the score was 5 to 1 in my favor."

A White House aide said that the President's criticism of the press arose from his anger over articles portraying him as susceptible to factual errors.

Mr. Reagan was also signaling an effort to get the White House staff to alter a reputation for incorrect statements that his political advisers privately fear as a threat to his political standing and credibility. An aide, who asked not to be identified, said that David R. Gergen, the White House director of communications, had ordered the research that provided Mr. Reagan with the papers.

Other aides said Mr. Gergen was the strongest advocate of ending today's news conference and that this overcame the misgivings of other senior White House advisers. They argued that Mr. Reagan had been damaged by days of controversy that followed earlier news conferences. To ease such fears, an effort was made this week to give Mr. Reagan thorough briefings before today's appearance.

Even so, the President today presented an apparently confused history of the Vietnam War and misstated the

amount of money that the Government spends on social services.

Edward L. Dale Jr., an official of the Office of Management and Budget, said Mr. Reagan "slightly mispoke" today in saying that the budget for "all of human and social affairs" is \$32 billion. "Mr. Dale said that was the amount of direct payments to individuals under such programs as Social Security. The correct figure is much higher," he said.

In defending the decision not to release the documentary evidence to which Mr. Reagan referred today, Larry Speakes, the deputy White House press secretary, said that to do so would give new life to "an old story."

"The President did it in such a joking way to prove a point, but the White House does not plan to release it," he said. "The President did it in such a joking way to prove a point, but the White House does not plan to release it," he said. "The President did it in such a joking way to prove a point, but the White House does not plan to release it," he said.

An official involved in the research project said Mr. Reagan was responding to an Associated Press article that cited the Pima County situation in a group of six alleged errors. The others dealt with Mr. Reagan's statements on military spending as a percentage of the gross national product, a "multibillion-dollar expansion plan" in the steel industry, the level of interest rates since his election, unemployment figures and the income tax penalty for married couples.

Mr. Gergen said Mr. Reagan had been incorrect when he said that the penalty had been eliminated by his tax bill, when in fact it had been reduced. On the other five points, he said, "the staff reports indicated that there was strong justification for the points the President had made."

Mr. Gergen acknowledged that on some of those points, such as the employment figures, where there is a difference between month-to-month comparisons and annual average employment, there was evidence to support both Mr. Reagan and his critics.

Today, Mr. Reagan also blamed what he called "overblown" news reports for leading to the latest round of criticism in the press that his foreign policy team was in disarray. He was referring to the reported dispute between Secretary of State Alexander M. Haig Jr. and Defense Secretary Frank C. Carlucci over policy in the Middle East.

Mr. Reagan did not say that the reports were fundamentally wrong. Also, when challenged about his remark that children whose parents make \$75,000 a year get free school lunches in New York, Mr. Reagan said he could not cite his authority for that statement.

Pressed to name the school district, Mr. Reagan added, "I know that it was up in New York somewhere. I couldn't remember that by now."

Mr. Reagan's aides acknowledge his tendency to repeat things he hears before they are "scrubbed" for accuracy. "It's a homework problem and a framing problem," said one adviser, adding that the President has difficulty "framing" his answers in a way that precludes errors from rambling or overstatement.

Mr. Reagan's past mistakes, the adviser added, have created an atmosphere so tense that such news conferences are now "like going into the arena of the lions again."

President Endorses Tight Monetary Policy of Federal Reserve

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mistic when, in answer to a question, he said confidently that the country would again see interest rates below 10 percent. "Yes, I'm positive we will," he said.

Just a month ago, at his last news conference, the President declined to endorse Mr. Volcker and criticized the Federal Reserve for "erratic" management of the money supply. Today there was not even a hint of criticism.

"I am not with Chester Volcker several times during the past year," the President said at one of his opening remarks today. "I'm not again today."

He said he has confidence in the announced policies of the Federal Reserve Board.

"The Administration and the Federal Reserve can help bring inflation and interest rates down faster by working together than by infighting at crossed purposes. The Administration will always

support the political independence of the Federal Reserve Board."

Then, in a direct appeal to the financial community to have confidence in the policies of the Administration and the Federal Reserve, the President declared:

"High interest rates present the greatest single threat today to healthy economic growth. The high level of current interest rates reflects two concerns of the Federal Reserve Board. One is that the Federal Reserve Board will revert to the inflationary monetary policy which would tolerate ever-widening budget deficits."

"I want you to hear today that neither this Administration nor the Federal Reserve will allow a return to the loose and monetary policies of the past that have created the current economic conditions."

President Reagan specifically endorsed the money and credit policies of the Federal Reserve and set for this

year. He said they were consistent with the Administration's economic forecast. He said that he was "pleased to hear that he agrees—as Mr. Volcker has argued for two years—that a tight monetary policy will be the only way to narrow budget deficits to work."

"I am sensitive to the need for a responsible single policy to complete a firm, anti-inflationary monetary policy," the President said. "It will devote the resources of my Presidency to keeping deficits down over the next several years."

The President's statement, taken with this week's meeting with Mr. Volcker, gave the impression of an agreement between the two key shapers of the nation's economic policy, although there is no indication that a formal accommodation was reached. Only the President and Mr. Volcker were at the Monday evening meeting.

Presumably any such agreement would not be primarily about the budget. The Administration has en-

dorsed the Fed's monetary policy in the past. And Mr. Volcker, although he made it clear that he did not endorse the new budget and its projected big deficit.

The agreement would appear to be to stop taking shots at each other. Mr. Volcker's criticism of deficits and the Administration's criticism of the Fed's monetary management, according to many market analysts, aggravated the fears in the financial markets that help keep interest rates up.

There was no official comment from the Federal Reserve about the President's remarks today. But one official said, "We seem to be in agreement." Mr. Volcker, who did not see the January news conference on television where the President criticized him, did watch the one today.

Despite the President's remarks today, there was no guarantee that an accommodation would hold. Last spring the President's remarks tried to stop criticizing each other, but Treasury Secretary Donald T. Regan broke the truce last summer by assailing the Fed's too restrictive on money supply growth. Then in January Mr. Regan and the President both criticized the Fed, saying it had let the money supply grow too fast and blaming this for the rise in interest rates.

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Reagan Transcript: Plans to Cut Budget Defended

Continued From Preceding Page

The Government is interfering in the private lives of the young people by making such a requirement—that those young people couldn't get their appendix taken out without their parents' permission—uh, a number of other things they wish the parents had—but I think the Government has no business injecting itself between parent and child in a family relationship and where it is very definitely a problem of concern to parents who are responsible for the children.

Selling Arms to Jordan

Q. Thank you, Mr. President. Do you offer to plan for sale the Hawk missiles and the F-16 fighter planes to Jordan? And, if so, what additional offers will you make to Israel to counter such a sale?

A. Contrary to what was portrayed and widely heralded in these last few weeks, Secretary Weinberger came back without any request having been voiced for any of those weapons. Now—so there's no definite plan. If there's a request comes, we'll treat with it. But, again, I have no intention of selling arms to Jordan. That's not the policy of the United States.

Q. They coordinated their activities, they were in communication with each other on these trips, there is no difference in policy between them. And I reassured Prime Minister Begin that there is no change in our approach toward Israel, and our dedication for the welfare of Israel.

Q. I want to follow up, too, if I may. Isn't there any effective way that we have to counter this continuing buildup of arms in the Middle East? Or, yes, and that is to continue the policy we're following, which is to try and carry on where Camp David left off and bring about a peace agreement in the Middle East. And then the only basis for armaments in all of them would be against the external threat posed by someone such as the Soviet Union. So this is what we're trying to do in the Middle East, is to try to persuade—particularly the more moderate Arab states—to join in the peace-making process with Israel, and accept Israel's right to be a nation. Yes, Sam?

Polish Loans

Q. Sir, there is another due date coming for the interest payments on Poland's loans to the West. Last

month, your Government helped Poland out by paying interest payments to Western banks. Are you going to do it again?

A. I don't know what the situation will be, or what our move will be, but I don't know Poland out in doing that. We retained our leverage because default would mean great financial hardship for a great many people and a great many institutions here in the West. Default literally is like bankruptcy and they're absorbed of their debts. And we felt that in that way we could hold that back where it that becomes a useful alternative, we'd make use of it. But the default would be right now, we believe, would simply throw Poland more dependent on the United States and we would rather not have that happen.

Q. You'll probably pay it again, sir?

A. I said we haven't made a decision on that. There's a gentleman back there said he had a follow-up on his other question.

Weinberger in Jordan

Q. Again on the Middle East, do you think that Secretary Weinberger actually represented American interests when he was in Jordan? That's a question. The other question is, what would you answer to a Saudi senior official who said that the United States is nothing but an arm supplier; it only approaches relationships between the United States and Saudi Arabia, but not a strategic relationship?

A. Well, I don't know who the Saudi person was. I am not just an arm supplier. And I have no way of knowing what was in his mind when he said that—if he said it. Yes I believe that the Secretary Weinberger was representing the United States in his visit to Jordan. But I don't believe that it was correctly portrayed in some of the stories about that trip. This is what I meant by exaggeration and being overblown.

Student Loans

Q. Mr. President, many young people are facing the prospect that when they go to college next year they will have a harder time with finances because of some of the spending cuts and including student loans and student aid programs. And the universities now are also beginning to say that they're having more of a financial squeeze. What approach do you have about that condition for many young people who are not very

rich or very poor, who will find their opportunities limited and the long-range impact on American education because of this?

A. The amount of money that is in the budget for '83 for all of human and social affairs—\$683 billion—that is a 4.5 percent increase over the 1982 budget. Previously that part of the budget has been increasing at a rate of about 10 percent a year, and we have reduced that amount of increase, but we have not increased the budget back. Now there are some specific programs that may be of a different size than others, but the overall spending is the same.

One of the things having to do with college loans was the knowledge that in the administering of that program it had become so loose that we had people borrowing money simply because—for a college loan—because they couldn't resist that money at the current high interest rates and was making a profit on the money that was sending their son or daughter to college. I don't think that was what we intended in the program.

I don't believe that there is going to be any cut that's going to go to the majority. I claim that from my own experience in California, in regressing welfare and in having tax breaks for the poor, that the majority of people who are getting cut from these programs. And since you mentioned the source of it, you tell us what school district it was?

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